

## Citizens participation in budget making process of the State of Odisha (India): Opportunities, Learnings and Challenges

*Participation des citoyens au processus budgétaire de l'Etat d'Odisha (Inde) :*

*Opportunités, Leçons tirées et Enjeux*

*Participación de los ciudadanos en el proceso de formulación del presupuesto del estado de Odisha (India): Oportunidades, aprendizajes y retos*

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# Citizens Participation in the budget making process of the State of Odisha (India): Opportunities, Learnings And Challenges

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**Abstract.** Annual Budget of a government – a public proclamation by the State of its projected and actual expenditures – provides vital evidence of where a State sets its priorities – whether on the poor and marginalised people or not. The state's current budget processes reveal that citizens have no understanding of what the State is committing itself to in its policy declarations and what it actually does in its budgetary allocations. The extremely complicated, technical and esoteric nature of the budget-making process and documents does not allow citizens to participate, to have any say in it or to monitor the process. This paper presents what has been learned of civil society processes that have been undertaken to make the budget participatory and pro-poor. For nearly a decade, leading civil society players in Odisha (India) have made intensive efforts to engage with legislators, media and academics. This article seeks to show how the simplified analysis of public budgeting has helped civil society in Odisha to identify which sectors actually benefit the poor and which end up benefitting the urban rich; and how the citizenry came together to initiate concrete advocacy for pro-poor budgetary reforms; how the Media –could be stimulated to play the role of a conscience keeper on behalf of the poor and marginalized and engagement with the legislators during the budget discussions; how the community-based organisations were involved in sharing the budgetary requirements to the policy makers at the sub-state level.

**Keywords.** Budget monitoring, Civil society, Legislators, Participatory, Pro-poor, Transparency, Accountability, Governance, India

## 1. Introduction

The goal of the state's development effort is to enhance the quality of its citizens' lives through planning, designing appropriate programmes and budgets. Thus, a budget is not merely a financial statement of the state. It reflects the government's intention to spend available resources to develop the state. It affects almost every sector of the economy and the population. The budget is also an important tool by which the government makes many commitments through the annual and five-year plans of the Millennium Development Goal (MDG), which are translated into financial terms. It also indicates whether the manifestoes of the ruling political parties will be fulfilled. Monitoring the priorities of the public budget by civil society would enable the citizens to hold the government accountable.

## 2. Citizens and Public Budgeting: Missing links and Opportunities

In India, the process of budget preparation is not open to citizens. There is no such formal mechanism in the country or its states that invites citizens to participate in the budgeting process. Despite a number of acts and policies on decentralisation, the state budget-making process continues to remain a secret bureaucratic exercise. The esoteric language and presentation style of the budget documents prevents the public from understanding the real content and import of the documents. Even the legislators, who are supposed to influence the budget, do not possess the skills and information that would enable them to engage in a critical discourse of the matter. As a result, the Executive acts as the sole decision maker, deciding the expenditure priorities on its own. The role of civil society organisations is limited due to the lack

of databases and information. The absence of any formal/informal space in which to participate, debate and discuss budget issues adds to the problem.

Examination of the government budget allocation and spending priorities of the state budget preparation should be a participatory process that would encompass critical needs of the poor and the marginalized. Opportunities for citizen engagement can be imagined, devised and applied in four functions of the government (Malena et al.; 2004):

- Policies and plans,
- Budgets and expenditures,
- Delivery of services and goods,
- Public oversight.

Although it is claimed that elected representatives play a role in a democratic system by discussing and deciding the priorities that are best suited to citizens' needs, there is a lack of real participation by these peoples' representatives. In the process of budgeting, including the citizens' voice entails demystifying the budget and the budgeting process, responding to the basic needs of citizens at the grassroots level, improving budget allocations and facilitating fund distribution procedures, and preventing financial corruption and enhancing accountability (Boncodin 2007). In order to bridge the gap between the government and the country's citizens, civil society must undertake a crucial role in the process of budget analysis. This will help to generate useful information on sectoral allocations and expenditures in simple terms. In turn, this will enable not just the intelligentsia, but also the citizens and the media to discuss the budget with the state to ensure more effective allocation and spending in key social sectors like health, education and agriculture. While the importance of the budget as a country's principle economic policy document and its critical role in ensuring equity and justice are well appreciated, serious budget work by independent groups has been initiated primarily by certain contextual factors that followed the dramatic transformations in the Indian governmental systems since the 1990s. These factors include:

- increasing roles of, and opportunities for, non-governmental actors, especially CSOs, to actively engage in development and governance agendas;
- new public finance practices that supported greater transparency in budget systems and a larger role for the independent oversight offered by civil society and legislatures and;
- rapid proliferation of decentralisation and devolution that brought budgeting closer to communities and made it more real for them (IBP, 2001).

In some aspects, the genesis and spread of budget analysis represents a key factor in the rise of 'empiricism' within civil society, whereby consultation and negotiation with the State were premised on the facts and on advocacy that was influenced and informed by facts. There was an early realisation within budget groups that working through the instruments of the State rather than directly confronting the State could be a

powerful means to initiate transformation within the State (Aiyar and Behar, 2005).

### 3. Process of Government Budget Preparation in Odisha

Odisha comprises 4.74 per cent of India's land mass. Its 41.94 million people (2011 census) account for 3.46% of the country's population. Approximately 83.32 percent of the country's total population live in rural areas. Tribal communities from 62 ethnic groups account for 22.13 percent of India's population. More than two thirds of these ethnic groups (16.53% of the country's population) constitute scheduled castes. Odisha ranks 11 out of 15 major states in India (Value: 0.404) in HDI ranking. According to the Odisha planning commission's latest estimate, 47.15 per cent of the total population live below the poverty line. The infant mortality rate of the state is 57(SRS 2011) per thousand compared to the national average of 44 (Census-2011). The government of Odisha prepares annual plans and budgets every year. It also participates in long term planning and budgeting by creating of a five-year plan every five years.

The budget of the government undergoes four different stages. They are:

- Formulation,
- Enactment,
- Implementation,
- Auditing.

During formulation, budget proposals from various departments are aggregated and merged by the Ministry/Department of Finance. As specified in the Odisha Budget Manual, the state's budget preparation begins with the submission of budgets by the Drawing and Disbursement Officers (DDOs) who are based at district and sub-district levels. These budgets are submitted to the state's Estimating Officer by the end of the August each year. The Estimating and Controlling Officers scrutinize the budgets prepared at the district level and, after separation by department, send them to the heads of the respective departments of the state by mid-November. The departmental budgets are sent to the Finance Department where they are finalized and compiled to create the state's budget by the end of November. The budget so prepared is approved after discussion and debate in the legislative assembly. During this enactment phase in Odisha, the standing committee members hold detailed and intensive discussions concerning the specific departments assigned to them. Subsequently after the budget has been approved, policies and programmes are implemented by various departments. Lastly, the Comptroller Auditor General (CAG) of India audits the departments to determine the extent to which the budget has been respected by various budget headings.

Broadly, the role of civil society organisations and citizenry groups in each phase of the budget process can be visualised as the following:

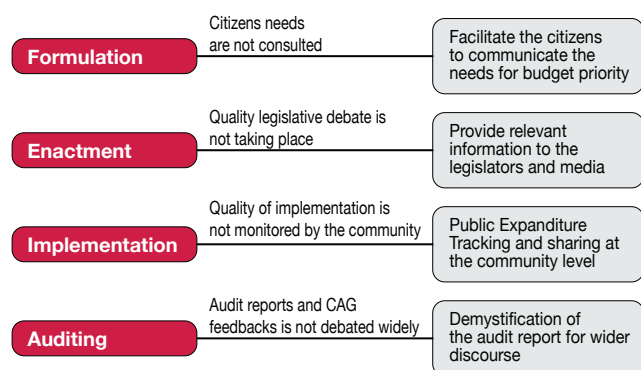


Figure 1. Budget process and civil society engagement

## 4. Budget preparation in Odisha: Critical issues

### 4.1 Policy Declarations vs. Budget Allocation

Looking into past budgetary trends in Odisha, a wide gap is visible between the lofty policy declarations and the budget - that is, between actual budgetary allocations and the amount of resources that actually reach the poor. The resource gap becomes wider, if one takes into account the state's responsibility to reduce poverty and to develop health and education in line with India's commitments to the Millennium Development Goals (MDGs). An examination of the commitments of the Millennium Development Goals in the fields of health and education shows that, although nine percent of the Gross State Domestic Product (GSDP) was required, only four percent of the state's GSDP has been provided. There are also norms, which are defined under the Right to Education (RTE) Act, that have financial implications for fulfilment. Further, there is a norm for creating health infrastructures and facilities as in the Indian Public Health Standards (IPHS) that remains unfulfilled due to lack of adequate budgetary provisions for the health sector.

### 4.2 Regional Disparity in Fund Allocation

The government's budget is prepared on a departmental basis. This does not reflect the priorities of regions and districts. Allocation of funds at the sub-state level would cause the citizens to claim more resources for backward areas. The current allocation patterns are far from judicious as they do not take into account the disparities in regional development indicators. No attempt has been made to engage in a rigorous analysis of the gaps between the real requirements of backward regions and their current allocations.

### 4.3 Absence of Civil Society Participation in the Budget Process

There is a lack of formally assigned space in which civil society organisations can participate and communicate the needs at a grassroots level to the state administration. *The legislators* do not possess the skills and information necessary to engage in a critical discourse of the matter. As a result, the government acts as the sole decision maker, with the executive deciding the expenditure priorities alone. The role of *civil society organisations*

is limited by the unavailability of a database, the lack of access to information and the absence of formally or informally designated space for participation and discussing and debating budget issues. The educated masses, which are often ignorant of the intricacies of the process, are reluctant to question the functioning of the state's governance. Even *the media*, a key civil society actor, does not possess the necessary expertise to delve deeply into budgetary implications. Crippled by a lack of timely and accurate information, the media fails to provide good, in-depth coverage on critical budget issues that affect the lives of the poor. As a result, any limited debate of issues that take place continues to be opaque and obscure in nature.

Against this background, the Centre for Youth and Social Development (CYSD), one of the leading organisations in participatory budgeting, assumed leadership in the state for the creation of an environment that would enable civil society organisations and groups of citizens to generate a discussion of the priorities of the social sector of Odisha's budget.

## 5. CYSD'S budget work in Odisha

With a desire to strengthen the citizen-led advocacy for a pro-poor budget in the state, the Centre for Youth and Social Development (CYSD) began its budget advocacy efforts as a modest experiment in 2003. This endeavour gradually led to the transformation of CYSD to an exclusive outfit that is known today as Odisha Budget and Accountability Centre (OBAC). OBAC has become intensively involved in macro-analysis, micro-tracking and capacity building trainings on budget literacy and the use of budget as a tool to monitor development programmes both for state and provincial level stakeholders.

## 6. Strategies

The strategy of the centre has been principally to generate an advocacy dialogue with the policy makers on the issues of the state's policies and budget priorities.

### 6.1 Quantitative and Qualitative Research

This strategy revealed a number of critical issues in the state budget and their implications on poor and marginalized people. Keeping abreast of state programme performance reports, including objectives and indicators, was of great help in sharpening the advocacy dialogues with the state. The government's information, as well as the opinions of those in the target community, are used to assess the outputs<sup>1</sup> and impact of budget allocations for the poor and marginalized. For instance, the state enacted the right to education act during 2010. There are a number of budgetary issues to address in order to meet the standards set out by the act. The need for additional budgetary allocations to fulfil specific standards was revealed by intensive analysis of the present status vs. commitments that were made by the state. This strategy has helped to sharpen the dialogue with the state at both macro and micro levels.

<sup>1</sup> Output means is a short term return from expenditure.



## 6.2 Dissemination of Information

Budget allocation and spending is not only information recorded on a financial statement. They have serious implications for the lives of common people. Those persons who prepare the state's budget appear to have little understanding of this. Thus, in order to make them aware of the issues that are of particular importance to the state, in addition to the need for budget allocations, a large amount of analytical information was distributed to the officials in government departments, ministers, legislative members and standing committee members who did not fully understand the implications of the budget allocations. The analytical information is provided also to the media, academics and civil society organisations. The materials are published in local languages for better understanding by the citizens. Efforts are made to provide information during sessions of the assembly to ensure quality discussions of the state's budget and policy issues. The Charter of Demand that is formed in consultations with the citizens is published and distributed widely for subsequent public discourse.

## 6.3 Strategic Alliance, Networking and Partnership Building

There is very little dialogue on the budget priorities among the state's civil society players. In order to add value to the demands of civil society organisations, strategic alliances have been formed with academic and research institutions, political parties, media houses, civil society forums, various people's movements and right based forums. They have been also involved while formulating demands on the budget making of the state. In the process, specific front line legislators who serve as catalysts for the budget are contacted continuously with research-based information. Regular bilateral discussions are held with legislators and media personnel to enhance the state's quality of policy making.

## 7. The Integrated Model of Civil Society Budget Advocacy in Odisha

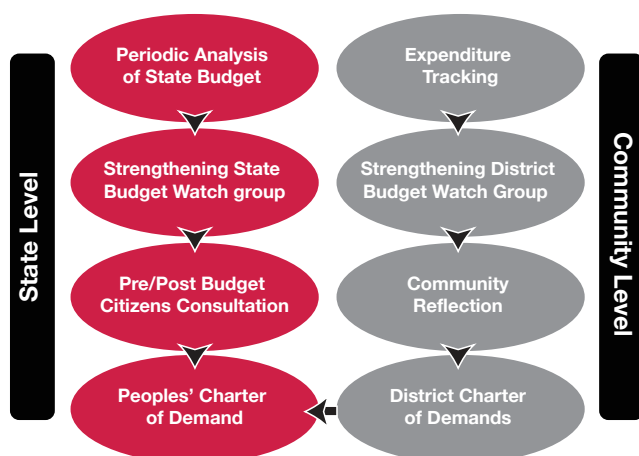


Figure 2. Budget Advocacy Model

In order to provide community feedback on the state budget of Odisha, civil society groups under the leadership of CYSD followed an innovative model that includes the needs of the community's grassroots in the advocacy process. Community feedback is gathered by community radio and small group discussions at ground level. These community aspirations are consolidated in the form of district Charters of Demand at the district level that are endorsed by the district budget watch groups. At the macro level, these demands are presented in the state pre-budget discussions for approval. The consolidated demands of the key budget priorities are presented to the state government for inclusion in the state's budget allocations.

## 8. A Step towards Participatory Budgeting: Pre-budget Consultation

Pre-Budget Consultation is a platform where inputs from civil society organisations, media, academics and political activists can be heard by the architects of the budgetary process. It is an attempt to amplify people's voice in the hope of winning a participatory and pro-poor budget by a discussion of the state's promises versus its budget priorities. This process facilitates an engagement with the legislators, media and key budget makers of the state before the budget has been approved in the legislative assembly/parliament.

### 8.1 The process

OBAC designed the entire process of pre-budget consultation considering the state's process of budget preparation. OBAC formed District Budget Watch Groups (DBWGs) in the six selected tribal districts of Odisha (Sundargarh, Koraput, Bolangir, Nuapada, Keonjhar and Kalahandi). It has also given them the means to track the budget at the district level and assemble the needs of the community in a District Charter of Demand, which they should then discuss with the district level policy makers. The DBWGs prepare the District Charter of Demands in August and submit it to the DDOs. The finalisation and approval of the District Charter of Demand in all districts are completed by the end November in District Pre-Budget Consultation with political and social activists, civil society representatives, media, government officials and professionals from respective fields.

The inputs from the district level and the macro analysis at the state level are combined to shape the State Charter of Demand. Before the departmental budget is set out for final compilation in Odisha's government Finance Department, a State Pre-Budget Consultation is conducted with eminent professionals, such as officials of the Department of Finance and Planning and Coordination, MLAs and members of various legislative standing committees, academics, political and social activists, state and district civil society representatives, media representatives and students from prominent colleges and universities. A team of delegates from the state budget watch group hand over the propositions contained in the Charter of Demand to the Finance Minister later in a formal meeting. As originally planned, the main objective

of the Pre-Budget Consultation is to involve all possible stakeholders and to facilitate a discussion with those who prepare the state's budget on different aspects of it, particularly the social sector allocations and spending. After the Pre-Budget Consultation, a bilateral discussion is conducted with members of the Finance Department before they finalise the budget by the end of December. The Charters of Demand of the district and state are shared with the media to ensure that the public is aware of their contents. The substance of what transpired in the Pre-Budget Consultation is communicated to the government by members of the legislative and standing committees.

## **9. Articulating Community-Based Needs: Use of Community Radio**

The Centre identified one district budget watch group that uses community radio. This group is located in the interior tribal region of Odisha. There was a request from the district budget watch group to share the information related to the state's budget allocation and spending pattern. The objective of disseminating this information is to ensure that the community is informed on such matters. The community radio has developed a radio programme that presents information about the state budgetary processes and its social sector priorities in an easily understood format. This may involve interviews with officials at the grassroots level, interactive plays, poetry, news or commentaries, etc. The programme strives to educate communities so that they can engage in an informed and ongoing dialogue with their government representatives. An ongoing dialogue will likely foster a participatory and transparent budgetary process. In turn, this will result in state budgets, policies, and spending that reflect the needs and interests of the poor and rural communities in western Odisha. The Community Radio programme harnesses the region's most widely used medium of mass communication and entertainment to reach listeners by both broadcasting and narrowcasting. With respect to broadcasting, All India Radio (AIR), India's national public radio broadcaster, airs the programme to residents of the Kalahandi district and neighbouring districts of western Odisha, including Nuapara, Bolangir, and Sambalpur in the local Oriya language. With regard to narrowcasting, the district watch group, along with the OBAC team, regularly brings together community members at local community centers in 90 villages in western Odisha to listen to a recording of The Community Radio. Different members of the community are encouraged to attend, depending on the issues covered in the program. For instance, if a particular airing discusses textbooks for school children, parents are invited to listen, whereas women are encouraged to attend if the program focuses on women's health issues. The fundamental difference between the broadcasting and the narrowcasting is that the former is aired by a national radio station to reach a geographically wide audience, whereas the latter is undertaken by OBAC and provides targeted groups with the specific budget information that is most relevant to them.

The OBAC's narrowcasting initiatives have been effective in raising public awareness of the budgeting process and

fostering the participation of citizens in it. During the state's budget preparations in August, some communities that listen to the Community Radio programme expressed a desire for specific budgetary allocations for text books, scholarships, and doctors for primary health centres to the district-level Drawing and Disbursement Officers (DDOs), who are responsible for budget preparation and spending at the local level. As a result of the submission of the peoples' Charter of Demand, there was an increase in the allocation of specific components of social sector. The allocation for free medicine was doubled at the state level with many changes to the mechanism for distribution of medicine to poor patients. OBAC's two-fold approach to sharing the Community Radio programme, illustrates how important it is for civil social organisations that are engaged in budget work to identify and harness the mode(s) of communication that can most effectively reach their target audiences.

Advocacy efforts to engage citizens in the budgeting process have been widely recognized by the state. After repeated demands by civil society organisations, the government of Odisha adopted the proposed process in 2010 and invited citizens to participate in pre-budget consultations. The civil society budget advocacy groups hope for formation of a well-informed citizenry budget group that includes civil society actors who will act as a resource units in the state's planning and budgeting. This group also will be involved in preparing alternative budgets for specific areas of the social sector based on a normative approach. All these efforts can feed the right-based development organisations and movement by a consistent flow of budgetary information to build a logical debate with the State.

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